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Kenya

Retail Foods

2010 Retail Food Sector Report

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Report Highlights:
Kenya’s imports of U.S. food products and commodities grew at an annual average of 51 percent during calendar years (CY) 2006 – 2009. Best prospects for U.S. food products include snack foods, condiments, tree-nuts, breakfast cereals, jams, fruit/nut puree and pastes.

Executive Summary:
Section I. Market Summary

	2007	2008	2009	2010[E]	2011[F]
ECONOMIC TRENDS					
Inflation (%)[1]	4.3	16.2	9.2	8.5	8
Unemployment[1]	40	40	40	40	39
Gross Domestic Product (GDP) at Market Prices (%)[3]	7	1.6	2.6	4.5	5
GDP per capita($)[1]	780	711	692	700	710
AGRICULTURAL PRODUCTS IMPORTS (US$ Million)[2]					
Total Agricultural, Fish and Forestry Products	1,107	1,428	1,610	1,550	1,634
Total U.S. Agricultural, Fish and Forestry Products	84.8	76.6	193.6	190	252
Total Agricultural Products	1,059	1,394	1,585	1,450	1,534
Total U.S. Agricultural Products	84.8	76.6	193.6	190	252
Consumer-Oriented Agricultural Products (US$ Millions)[2]					
Total Consumer-Oriented Agricultural Products Imports	123	158	151	170	190
Total Consumer-Oriented Agricultural Products Imports from the United States	13.6	17.9	16.3	18.6	20
Major Competitors[2]:					
South Africa	13.6	17	18.1	21	23
Ireland	8.1	13	11.8	15	17
Netherlands	11.8	13.6	10.3	10	10
Egypt	5.2	7.6	8.5	10	12
Italy	5.4	7.4	7.8	10	11
Tanzania	10.2	10.9	7.3	7	5
United Kingdom	7.2	6.7	5.6	5	4
Total Fish and Seafood Products Imports (US$ Million)[2]	8.2	6.4	6.1	6.3	6.1
Total Fish and Seafood Products Imports from the United States(US$ Million)[2]	0.01	0.01	0.00	0.01	0.02
Major competitors[2]:					
Seychelles	3.1	2.8	3.5	2.7	2.4
Singapore	0.5	1.3	0	0.01	0.03
Tanzania	0.5	0.4	0.4	0.5	0.6
Japan	0.6	0.3	0.0	0.01	0.02
Norway	0.2	0.2	0.1	0.2	0.2
India	0.2	0.2	0.3	0.2	0.1
Spain	0	0.2	0	0.1	0.1
Netherlands	0	0.2	0	0.1	0.1

Sources: [1]Kenya National Bureau of Statistics (KNBS), [2]Global Trade Atlas (GTA), [3]Economic Survey 2010 Report, [E]2010 FAS Estimates and [F]2011 FAS Forecast

The Kenyan retail food sector has expanded significantly during the last ten years as a result of population growth, urbanization, a growing middle class, and a financially attractive business environment. We expect that the sector will continue to grow.

Summary of the Kenyan retail food sector:

- Estimated number of food retail outlets at 129,000 in 2010. While hypermarkets and supermarkets continue to grow, other segments of the sector are declining. Supermarkets represent about a third of the total retail space in Kenya (*Business Daily* of March 15, 2010);
- Hypermarkets and supermarkets offer product varieties and convenience (stores open for long hours, one-stop-shop concept, and competitive pricing);
- Over the last five years, supermarkets have spread to both urban and small towns;
- Total sales by the top four leading supermarket chains amounted to over $800 million in CY 2009; and
- Retailers source all their imported food products from local importers. Imported food products stocked in the supermarkets range from 15 to 45 percent of the total stock (personal communication).

Advantages and Challenges Facing U.S. Products in the Kenya Market

Advantages	**Challenges**
2-5 million consumers can repeatedly afford to purchase imported food products	25 percent tariff charged on imported food products, in addition to 16 percent value added tax makes them costly
Continuous expansion of the leading supermarkets into neighboring countries	Limited purchasing power for most consumers in cities and towns
Kenyan consumers view U.S. products as high quality. Some U.S. brands such as Hershey's and Kraft Foods are well known in the market.	Many U.S. exporters lack sufficient information regarding the Kenyan market.
Hotel and restaurant sector will offer market opportunities for U.S. food products as the tourism sector recovers.	Limited number of importers
	Competition from other supplying countries and locally produced products

Section II. Road Map for Market Entry

Entry Strategy

Kenyan retailers do not directly import food products but purchase them from local importers. In general, retailers submit a list of products to local importers who source them from consolidators in the U.S., Dubai, Europe, and South Africa. Currently, there are nine companies that import food products for retailers.

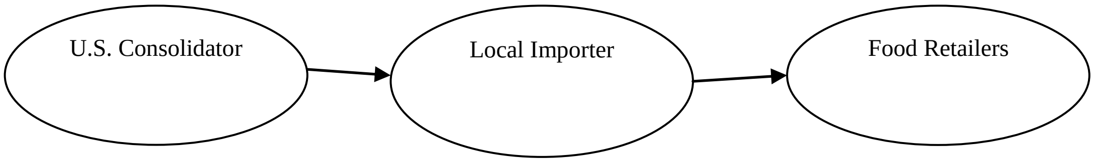
U.S. consolidators should work with local importers to meet retailers' requirements (orders smaller than normal, small pack sizes, mixed products in one shipment, share a shipment with other U.S. suppliers) and Kenya's import requirements. In addition, U.S. consolidators can attend the Gulf Food Show in Dubai where they can acquaint Kenyan importers.

During CY 2009, Kenyan importers of consumer-oriented food products sourced 12 percent of their products South Africa, followed by the United States (11 percent), Ireland (8 percent), the Netherlands (7 percent), and Egypt (6 percent).

Local importers prefer U.S. food products for their quality, packaging, and wide range.

Market Structure

The chart below shows how U.S. consumer-oriented food products reach Kenyan food retailers.



Most of the times, importers sell the imported food products directly to supermarkets, convenience stores, gas marts, hotels, and restaurants. Sometimes they use their appointed agents/distributors to supply the retail outlets.

A. Superstores and Supermarkets

Retail Name and Outlet Type	Ownership (Local or Foreign)	Sales 2009 ($ Million)	No. of Outlets	Locations	Purchasing Agent Type
Nakumatt Holdings Ltd. 12- Hypermarkets 15- Supermarkets 2 – Convenience stores	Local	$363	29	Nairobi (15)-with5 stores located within the Central Business District (CBD); Mombasa (4); Eldoret (2); Kisumu (2); Meru (1); Kisii (1); Nanyuki (1); Kakamega (1); **Kigali (1) and Kampala (1)**	Buys from local suppliers and importers
Tuskys Ltd. 5-Hypermarket 13- Supermarkets 7- Convenience Stores	Local	$231	25	Nairobi (13)- with 9 located within the CBD; Mombasa (3); Kisumu (1); Nakuru (3); Eldoret (1); Kisii (1); Kericho (1); Athi River (1); and Ongata Rongai (1)	Buys from local suppliers and importers
Uchumi Ltd. 5- Hypermarkets 12- Supermarkets	Local	$132	17	Nairobi (12); Meru (1); Karatina (1); Eldoret (1) and **Kampala (1)**	Buys from local suppliers and importers
Naivas Ltd. 1-Hypermarket 11- Supermarkets 1-Convenience Store	Local	$69	13	Nairobi (5); Naivasha (2); Narok (1); Eldoret (1); Embu (1); Kitui (1); and Machakos (1)	Buys from local suppliers and importers
Ukwala Ltd. 12 - supermarkets	Local	Not Available	12	Nairobi(5); Nakuru (1); Eldoret (3);Kisumu (2);and Kericho (1)	Buys from local suppliers and importers

B. Convenience Stores, Gas Marts, and Kiosks

Retailer Name & Market Type	Ownership	Sales 2009 ($Mil)/year	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Chandarana Supermarkets Ltd.	Local	12.5	6	5 in Nairobi; 1 in Mombasa	Buys from local importers and suppliers
Other independent stores and mini-supermarkets	Local	Not Available	Fewer than 11 retail stores	Kenya's cities and major towns.	Buys from local suppliers and importers
Convenience Stores/Gas Marts	Local and multi-national oil companies (Oil Libya Total Shell/BP Kobil)	Not Available	Oil Libya has 20 convenience stores. Data not available for other oil companies	Kenya's cities and major towns.	Buys from local suppliers

C. Traditional Markets

Small retail shops characterize traditional markets, and are mainly located by the roadside, residential areas, places of work, and rural town centers. Street hawking and open-air markets fall under this category. These shops commonly sell locally manufactured food and beverages, fresh fruits and vegetables, pulses, and grains.

Section III. Competition

[1]Product (Quantity and Value - 2009)	[1]Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods Net imports: 5,979 tons $13,334,948	1. Egypt : 28% 2. India: 12% 3. Netherlands: 11%	Egypt has preferential tariff advantage under the *COMESA trade agreement. India and the Netherlands have freight advantages compared to the United States.	Local brands are well-recognized in the market and supply is consistent, though, affected by rising production costs
Breakfast Cereals/Pancake Mix Net imports: 1,407 tons $2,272,844	1. UK: 21% 2. South Africa: 20% 3. U.S.: 12%	Close proximity to Kenya gives the United Kingdom and South Africa freight advantages.	Insufficient and high cost of local production
Red Meats (Fresh/Chilled/Frozen Net imports: 252 tons $679,060	1. Canada: 60% 2. Brazil: 39%	Canada and Brazil supply red meats at competitive prices.	Government protecting the local industry
Red Meats (Prepared/Preserved) Net imports:151 Tons $250,036	1. Brazil: 55% 2. Italy: 26% 3. Mauritius: 9%	Brazil and Italy supply red meats at competitive prices.	Government protecting the local industry
Dairy Products excludes Cheese Net imports: 5,362 tons $11,536,183	1.Uganda: 29% 2.New Zealand: 24% 3.Switzerland: 15%	Uganda benefits from preferential tariff advantage under the East African Community (EAC) common market and COMESA trade	Government protecting the local industry

		agreements.	
Eggs & Products Net imports: 27 tons $108,258	1. Zimbabwe: 26% 2. South Africa: 24% 3. Georgia: 18% *U.S.: 15%	Relative proximity to Kenya gives Zimbabwe and South Africa freight advantages.	Government protecting the local industry
Fresh fruits Net imports:13,707 tons $7,846,700	1. South Africa: 64% 2. Egypt: 17% 3. Saudi Arabia: 5%	Relative proximity to Kenya gives South Africa freight advantages. Preferential tariff advantage under the COMESA trade agreement gives Egypt a competitive advantage.	Kenya produces a wide range of fruits in different seasons that compete with some of the imported ones
Fresh Vegetables Net imports: 15,277 tons $3,208,867	1. China: 44% 2. Tanzania: 41% 3. South Africa: 10%	China is a low-cost supplier. Tanzania has zero tariff advantage under EAC trade agreement, and neighbors Kenya. South Africa benefits from freight advantages due to close proximity to Kenya.	Continuous production of vegetables most of the times
Processed Fruits & Vegetables Net imports: 7,343 tons $8,564,668	1. Denmark: 37% 2. Italy: 8% 3. Egypt: 7%	Relative proximity of Denmark and Italy to Kenya. Preferential tariff advantage for Egypt.	High costs of processing and a limited market
Fruit & Vegetable Juices Net imports: 4,548 tons $3,347,060	1. Egypt: 25% 2. Uganda: 19% 3. Netherlands: 14% In addition, South Africa is a key supplier accounting for 10% of total market share in CY 2009.	Preferential tariff advantage for Egypt and Uganda under COMESA and EAC trade agreements, respectively. Relative proximity of Egypt and Uganda to Kenya.	Limited fruit and vegetable processing due to high costs of production
Tree Nuts Net imports: 4,035 tons $1,098,792	1.Tanzania: 54% 2. France: 13% 3. U.S.: 11%	Preferential tariff advantage for Tanzania under EAC trade agreement. Relative proximity of France to Kenya compared to the United States.	
Wine and Beer Net imports:6,268,839 Liters $10,086,195	1. South Africa: 42% 2. Netherlands: 10% 3. Italy: 8%	Relative proximity of South Africa to Kenya.	Limited local production
Nursery Products & Cut Flowers Net imports: N/A $8,911,212	1. Netherlands: 54% 2. Chile: 14% 3. New Zealand: 5%	Relative proximity of the Netherlands to Kenya.	Limited local production
Pet Foods(Dog & Cat Food) Net imports: 678 Tons $961,738	1. South Africa: 57% 2. Italy: 20% 3. UK: 18%	Relative proximity of South Africa to Kenya.	Insufficient local production
Other Consumer-Oriented Products Net imports: N/A $78,248,957	1. U.S.: 19% 2. Ireland: 14% 3. South Africa: 8%	The United States supplies reliable, high quality products.	Insufficient local production

Fish & Seafood Net imports: 11,548 tons $6,114,647	1. Seychelles: 57% 2. South Korea: 8% 3.Tanzania: 8%	Relative proximity of Seychelles to Kenya and preferential tariff advantage under COMESA trade agreement.	Limited local production

Source: GTA,*COMESA refers to Common Market for Eastern and Southern Africa

Section IV. Best Product Prospects

Category A: Products Present in the Market That Have Good Sales Potential

Product Category	2009** Market Size (Volume) (Imports + domestic production minus exports)	2009 Imports (US$)	5-Yr. Avg. Annual Import Growth (2006-2009)-only 4 year data available	Import Tariff Rate (percent)	Key Constraints Over Market Development	Market Attractiveness for USA
Snack foods	Not Available (N/A)	13 million	22%	25%	High landed costs.	Good growth potential. U.S. brands perceived as high quality, premium brands e.g. Frito Lay,
Breakfast Cereals and Baking Mixes	N/A	2. 3 million	182%	25%	Competition from suppliers from South Africa, the United Kingdom and India.	Good growth potential. U.S. brands perceived as high quality, premium brands e.g. Post cereals and Betty Crocker Cake Mixes
Tree Nuts	N/A	1.1 million	130%	25%	High landed costs.	Good growth potential. The United States supplied 82% of almonds and 63% of pistachios sold in Kenya, in 2009 calendar year.
Sauces, Mixed Condiments and Seasonings	N/A	1.5 million	5%	25%	Competition from suppliers from South Africa (37%) and the United Kingdom (12%).	Good growth potential.
Jams, Fruit Jellies, Fruit/Nut Puree &	N/A	$256,286	33%	25%	Competition from India, Egypt, and the United	Good growth potential. The United States supplies 8% of

Paste					Kingdom.	imported jams, fruit jellies, fruit/nut puree and pastes.
Vinegar and Substitutes for Vinegar Obtained from Acetic Acid	N/A	$182,619	19%	25%	Competition from Italy, which has a 50 percent market share.	Good growth potential. The United States supplies 14% of imported vinegar and substitutes.
Mustard	N/A	$48,830	25%	25%	Competition from the United Kingdom, the Netherlands and Egypt.	Strong growth potential. The United States has 30% of the market share.

Source: GTA; ** Domestic production data not available.

Category B: Products Not Present in Significant Quantities but That Have Good Sales Potential

- Fruit juices
- Energy drinks
- Pet foods
- Baby foods
- Pasta sauces

Category C: Products Not Present Because They Face Significant Barriers

- Milk powder
- Lentils must be free from contamination with darnel seed
- Peas must be split to reduce the risk of planting and spread of pests and diseases
- Beans must originate from an area free of *Corynebacterium flaccumfascien*

Section V. Post Contact and Further Information

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